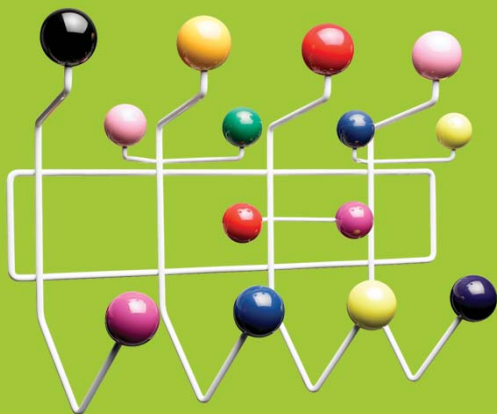


Development of quality social dialogue: the European way

Guy Van Gyes

EZA Seminar, Jurmula (Letland), 24.04.2014

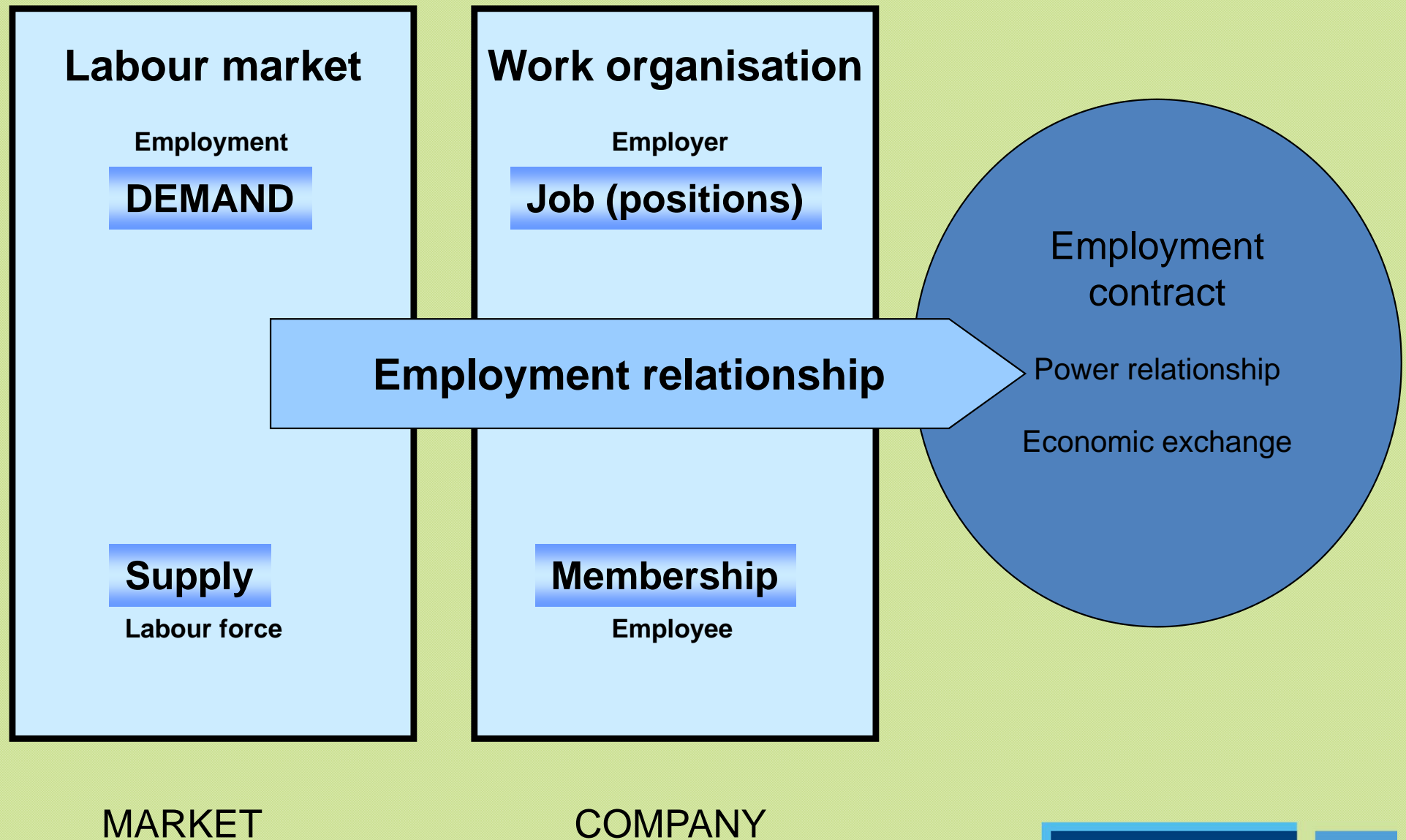


Overview

- What is the European way
 - Back to the basics
 - 20^{ste} century Productivity Coalition
 - Unity in diversity
- Important dimensions/criteria
 - Necessary structures
 - Actor-related
 - Process-related
- Challenges today
 - System under neo-liberal pressure of EU governance
 - Way forward: 21^{ste} century Productivity Coalition

WHAT IS THE EUROPEAN MODEL OF SOCIAL DIALOGUE

Back to basics 1: Labour as social system



Back to Basics 2: Employment relationship = inherently contradictions

ECONOMIC EXCHANGE



POWER RELATIONSHIP



Back to Basics III

EMPLOYEE/INDUSTRIAL RELATIONS

IR is about structuring and **regulating the employment relationship** by means of **interaction** between the employers' and the employees sides to solve coordination problems among unequal actors with **divergent interests**

Specific kind of industrial relations = social dialogue



Industrial relations system



Social dialogue

	Type of regulating			
	No/conflict	Unilateral	Negotiation	Cooperation
Type of actor				
Individual actor	Exit behavior	Managerial control	Individual bargaining	Direct participation
Interest group	Strike – lock-out	Associational reliance	Collective bargaining	Co-determination
State	Protest	Law	Social pacts	Tripartite governance

Based on Regini

Industrial relations system

- IR is about structuring and regulating the employment relationship by means of interaction between the employers' and the employees sides
- to solve coordination problems among unequal actors with divergent interests
- participatory, democratic process

DEMOCRATISATION X INSTITUTIONALISATION X PROFESSIONALISATION

Institutionalisation

- Regularized patterns of action, norms and commonly accepted ways of doing things, which may have as much or more force than formal rules in determining individual and organizational behaviour. They can be seen as reference points (Streeck and Thelen 2005)
- Waves of democratisation
 - Period before and after WWII
 - Post-68 democratisation
 - Result of political struggle
 - Coalition of ‘innovating’ moderates at both sides
 - In periods of high social unrest (high strike activity)
- Basic compromises – Social pacts – Informal arrangements
 - Danish September Compromise, 1899
 - Sweden, 1938
 - Italy, Spain => 90s

Institutional differentiation

- An economic dimension: it is an economic, market/contract-based relationship in which the employer and employee trade/bargain labour for a wage. This economic dimension is materialised in the labour contract.
- *A social dimension*: it is a hierarchical relationship in which the 'employee' works for an 'employer'. The employee works within a hierarchical setting based on work and organisational rules
- *Collective bargaining*: Method of determining wages, hours and other contractual conditions of employment through direct negotiations between the union(s) and the employer(s).
- *Employee participation or Information and consultation*: the exercise of power by workers or their representatives over decisions related to their places of employment and work, coupled with a modification of the locus and distribution of authority

Three mutual re-enforcing goals: productivity coalition



- *J. W. Budd, 2004, Employment with a Human Face. Balancing Efficiency, Equity, and Voice, Ithaca, Cornell University Press.*

Crown Jewel: solidaristic wage policy

- Wages out of competition
- Centralised (sectoral) bargaining system
 - Sectoral job classifications and pay scales
 - Wage increases: inflation + productivity growth
 - Equity: collective, transparant rules
 - Efficiency: labour fair part of welfare growth => stabilising demand-led growth

Unity in model diversity

- Industrial relations - social dialogue - political exchange between social partners as part of Europe's organised capitalism
- Common characteristics:
 - Trade union involvement / recognition / integration
 - Legal frameworks
 - Centralized and strong organisations
 - Relatively centralized and coordinated form of collective bargaining
 - Policy concertation in the socio-economic field
 - Integration of labour at company level through mechanisms of information and consultation
- Recognition in fundamental constitutional documents European union (Treaty; European Social Charter)
- Christian social teaching

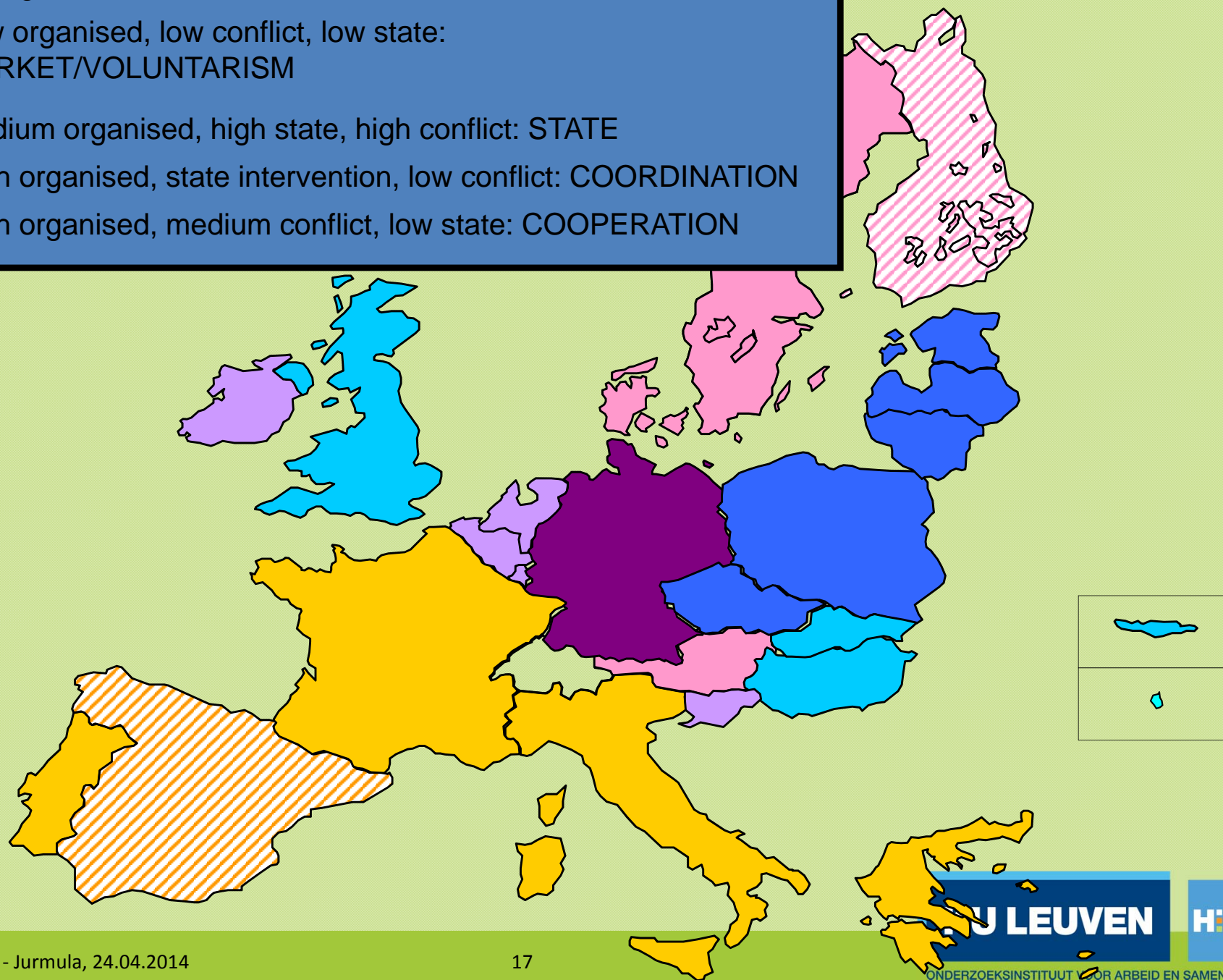
Diversity in unity

- Industrial relations context
 - Organised – disorganised
 - State intervention – voluntarism
 - Conflictual or not
- Cleavages
 - Religious-political
 - Occupational-sectoral
 - Radical - Moderate

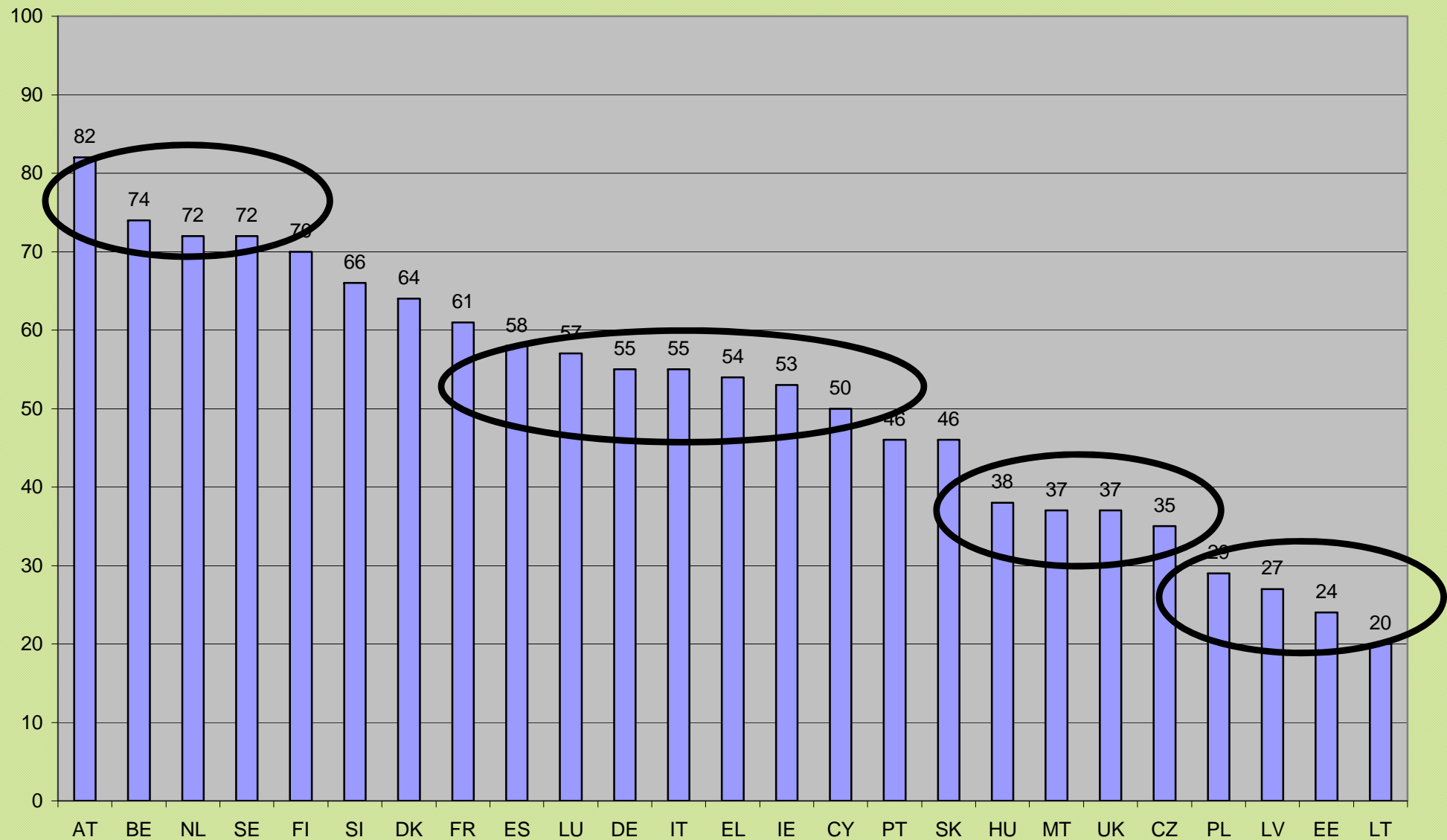
Dimensions of model differences

- **market:** industrial relations are developed on a voluntaristic basis. Arrangements of co-ordination and co-operation between IR actors are practically non-existent.
- **conflict:** an antagonistic conflict of interest between the industrial relations parties; little likelihood of mutual corporation, given the zero-sum situations; deficits in organisational capacities and lack of mutual recognition.
- **state:** co-ordination and regulation depends strongly on political or public state governance.
- **co-ordination:** to a large extent IR actors discuss non-market mechanisms and arrangements in order to establish wage agreements, labour conditions, training and other standards. Defending interests while maintaining mutual respect leads to complex rules and procedures.
- **co-operation:** long-term 'positive sum' conceptions of the common interest between all organised actors. Institutionalised political support and open, co-operative exchange with the state. Co-ordination that is trusting, though not always formerly articulated.

- Disorganised, non-conflictual: MIXED
- Low organised, low conflict, low state: MARKET/VOLUNTARISM
- Medium organised, high state, high conflict: STATE
- High organised, state intervention, low conflict: COORDINATION
- High organised, medium conflict, low state: COOPERATION



Composite-index of organised social dialogue



Correlation Social Progress Index – Composite index of organised social dialogue (0.6568***)



Necessary (but sufficient?) – On-going review

KEY CONDITIONS/CRITERIA

STRUCTURES (institutional)

- Bargaining
 - Legal extension of wages accord (exception: strong voluntaristic systems = but they are exceptional)
 - Legal extension of sectoral/branch collective agreements
 - Minimum wage
 - Mediation; dispute resolution system
 - Sector approach in (local) SME-sectors
- Workplace representation
 - Union involvement (formal/informal)
 - Resources
 - Time x protection x knowledge = information x training
- State support => effective inspectorate

Extension of collective agreements

Table 1: Extension of collective agreements

Collective agreement on covered companies is valid ...	Employees		Employers	
	... only for trade union members	... for all employees	Extension of collective agreement	Use in practice
Belgium		X		
Finland*	X	X		
France		X		
Greece		X	possible	frequently
Netherlands		X		
Portugal		X		
Romania		X		
Spain		X		
Bulgaria	X			
Czech Republic		X		
Estonia	X			
Germany	X			
Hungary		X	possible	rarely
Latvia	X			
Lithuania*	X	X		
Poland		X		
Slovakia		X		
Slovenia		X		
Austria		X	possible	rarely; functional equivalent
Ireland		X	not possible	functional equivalent
Italy		X	not possible	functional equivalent
Cyprus		X		
Denmark		X		
Sweden	X		not possible	
Malta				
UK	X			

* Some collective agreements are valid for trade union members only, while other agreements have an *erga omnes* clause and are valid for all employees.

Source: Schulten (2010)

Actors

- STRONG Employers' organisations
 - Common 'enemy'
 - Small open economies: international competition
 - Disturbing social actors (wildcat strikes; revolutionary movements)
 - 'Decisions are made anyhow: better be involved'
 - Legal extension of collective agreements
 - Coalition against (leftist) politics
 - Belief in demand-led growth theory
 - Wage equality
 - Employment skill scarcity
 - Cf. Ford: finding workers, workers that can buy the car they make
 - » Bi-partite training funds

Actors

- Trade unions (do not have to be strong; only visible and active)
 - Not membership (if substitute for financial capacity)
 - Social movement potential
 - Media campaigns
 - Coalition with civil society
 - Presence (monopoly) at workplace representation
 - Linkages with politics
 - Personnel networking of union elite
 - Not only social-democrats
 - Involvement in forms of insurance
 - Low fee (let yourself be subsidising by others)
 - Monopolistic presence at the workplace
 - The relationship is: being successful => more members and not the other way round (more members, more successful)

Processes

- Bargaining
 - Rent-sharing and not -taking: pragmatism: the larger the exit options of capital, the more to be moderate
 - Marshall-Hicks rule: Labour minor cost factor, but a key operational factor (cf. steel factory or chemical plant) => high wages
- Trust is not needed at the start; it is something you develop through the process of social dialogue
 - Disentangle first the problems and interests, before discussing solutions
 - Respect is important

Process: respect

- Cognitive dimension ('is the other competent')
 - Never openly criticize; but provide help to improve competences
 - Ask for alternatives (the other can disagree if he sees an alternative)
- Affective or relational dimension
 - Show interest in the person
 - Not defend yourself, but ask more about motivations of defence of others
 - 'Act' on what you agree (breaking a given word = detrimental)

CHALLENGES

System under pressure

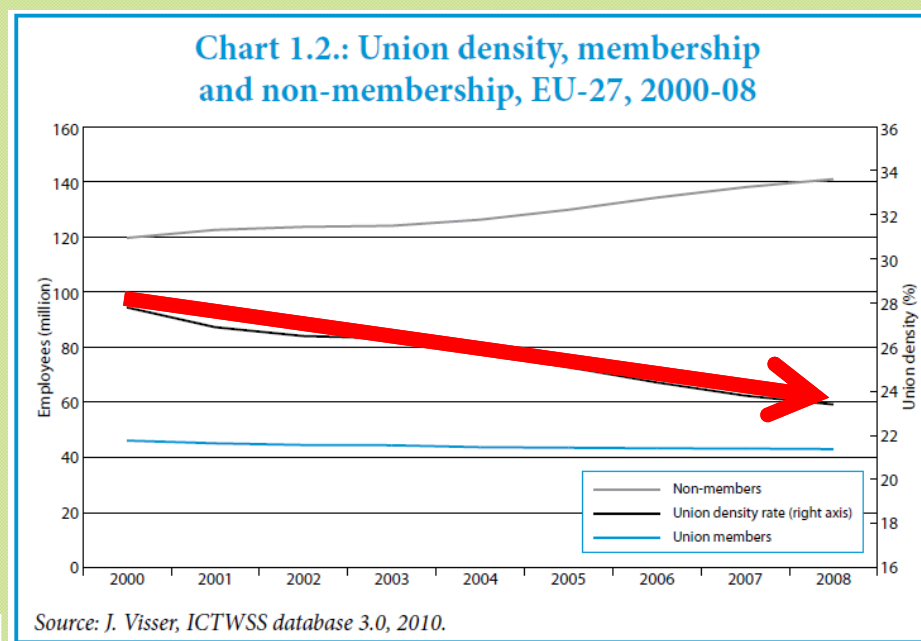
- Globalisation
 - Financialisation
- => Neo-liberal hegemony

Dominant economic policy system	Monetarism (combating inflation)
Economic context	High unemployment Competitive capitalism (international competition)
Monetary system	Non-accommodating
Wage bargaining system	Supply-side wage moderation - lowering comparative labour costs; enhancing wage flexibility; anticipatory - income policy, setting inflation targets
Bargaining mode	Voluntary co-ordination by peak organisations or pattern setting
Predominant bargaining level	Organised decentralisation with sectoral level usually prevailing
Predominant interest	Employers: competitive and flexible wages

Paradox of a bright future

Need for unions	% Agree
ESS 2003	70%
EB 1996	66%
EB 1984	53%

Six countries: BE, DE, UK, IT, NL, FR



Trust in trade union

	A great deal – quite a lot	Not at all
1981	34	25
1990	41	14
1999	48	10
2008	56	7

European Values Study
15 to 29 years old, workers, Belgium

New European economic governance since the crisis: wages as a key adjustment variable

Starting point: debt and cost competitiveness crisis

Remedy: Austerity policy and structural reforms

Basic assumption: Lowering labour costs is the key to regain competitiveness (strategy of internal devaluation)

1. Direct Interventions in current wage developments (wage cuts/freezes)
2. “Structural reforms” of collective bargaining systems in order to increase downward flexibility of wages

Forms of political intervention into collective bargaining

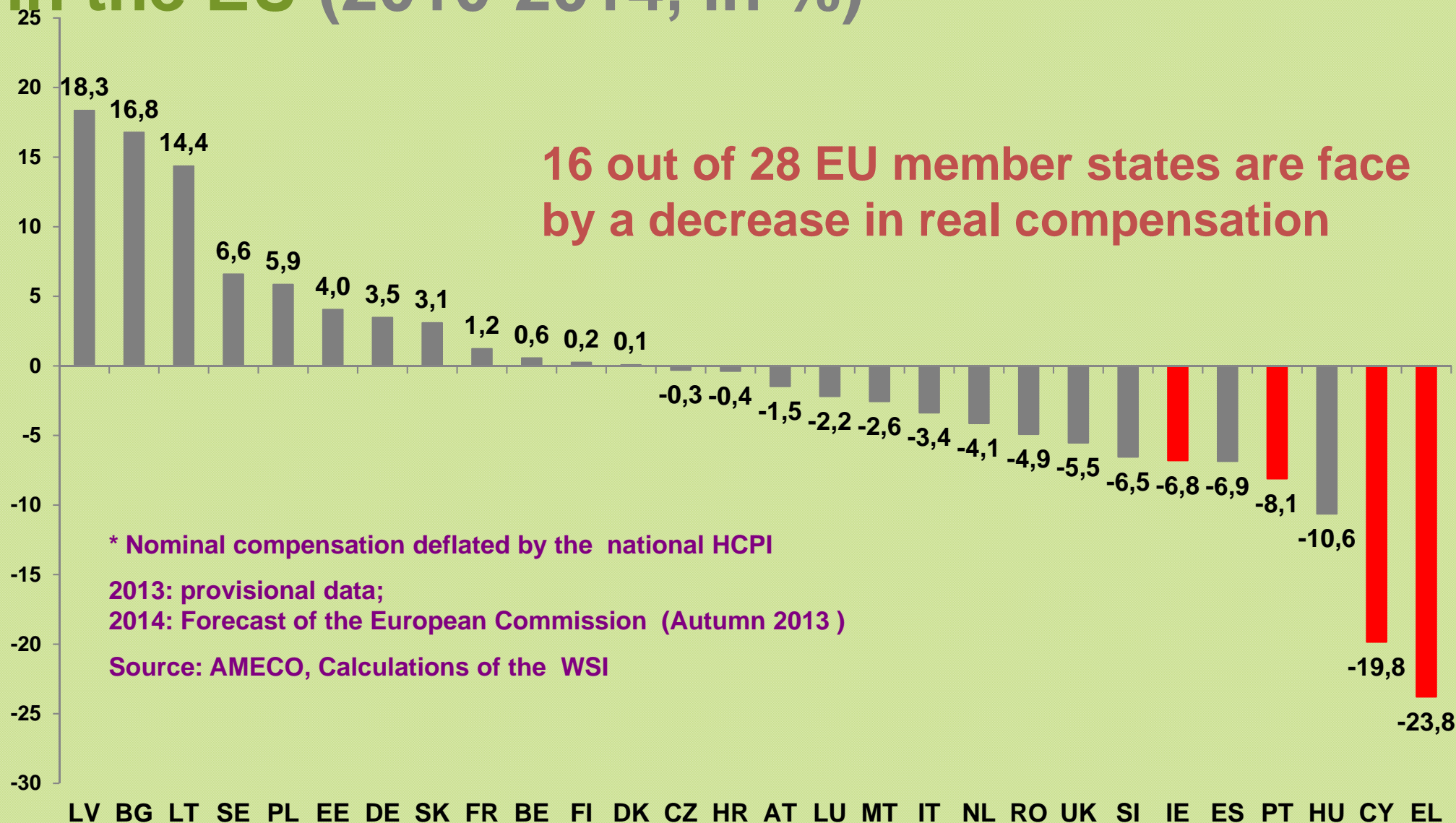
1. New European System of Economic Governance: European Semester and its Country-Specific Recommendations
2. Memorandum of Understanding and Stand-by Arrangements signed with “Troika” or IMF/EU
3. ECB intervention on sovereign bonds secondary markets

Most significant changes in industrial relations practices since the crisis

Reforms of collective bargaining 2009-2013:

Termination/Abolition of national collective bargaining	
More possibilities for companies to derogate from sectoral agreements	
Priority for company agreements; abolition of the favourability principle	
Stricter rules for extension of collective agreements	
Reduction of the after-effect of collective agreements	
Company agreements signed by non-union representatives	

Development of real compensation in the EU (2010-2014, in %)*





KEY STRATEGIC LEVERS FOR THE FUTURE

Alternative economic growth model

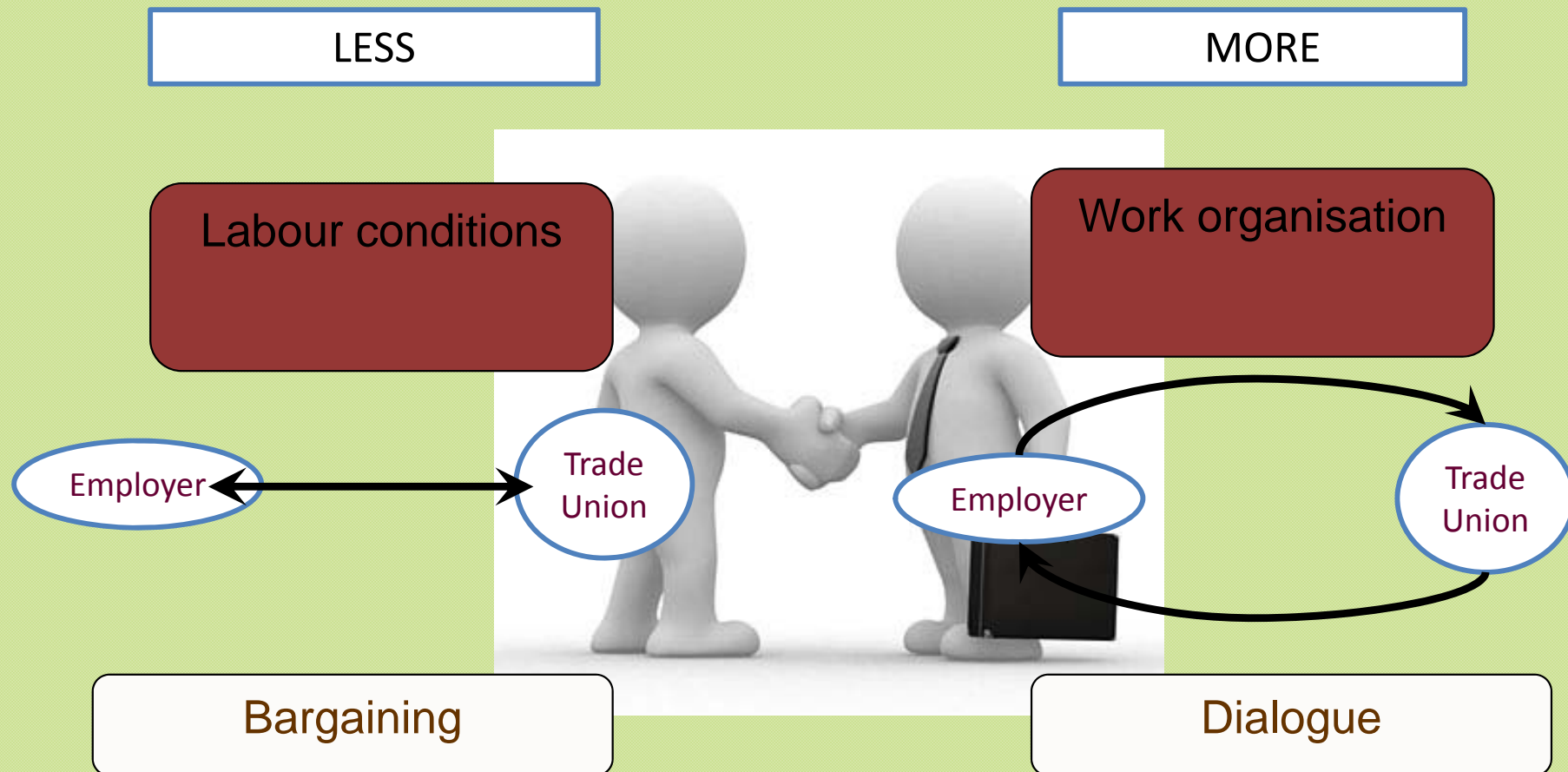
- Multi-level: transnationale level(cf. Eurozone)
- Multi-stakeholder context; Conflict between Old (economy) – New (ecology)
- From industrial to innovation economy

- Transnational wage coordination
- Workplace social dialogue around ‘working smarter’
- New topics (territorial)
 - Human capital development
 - Sustainable restructuring/innovation policies
 - Active labour market policies; active ageing



- Transnational wage policy
 - Coordination exist already (only without the union and narrow-based; German wage leadership)
- Taking wages out of competition = solidaristic wage policy
loonstructuur
- “uses a deliberate, centrally force to counteract ... the centrifugal force of the market, i.e. its tendency towards wage differentiation
- Demand-driven economic growth

Workplace representation: focus on 'working smarter' not 'harder'



Change management in a business strategy geared to innovation

Conceptual difference



	Dialogue on work	Bargaining
Starting point	Problem-driven	Interest-driven
Goal	Decision	Contract
Climate	Co-operative	Competitive
Method	Discussion	Pressure

Trends (based on literature)

EUROPEAN SOCIAL MODEL

- Social welfare rights
- Economic citizenship
- Reduced income inequality
- Limiting working time
- Enhancing social cohesion

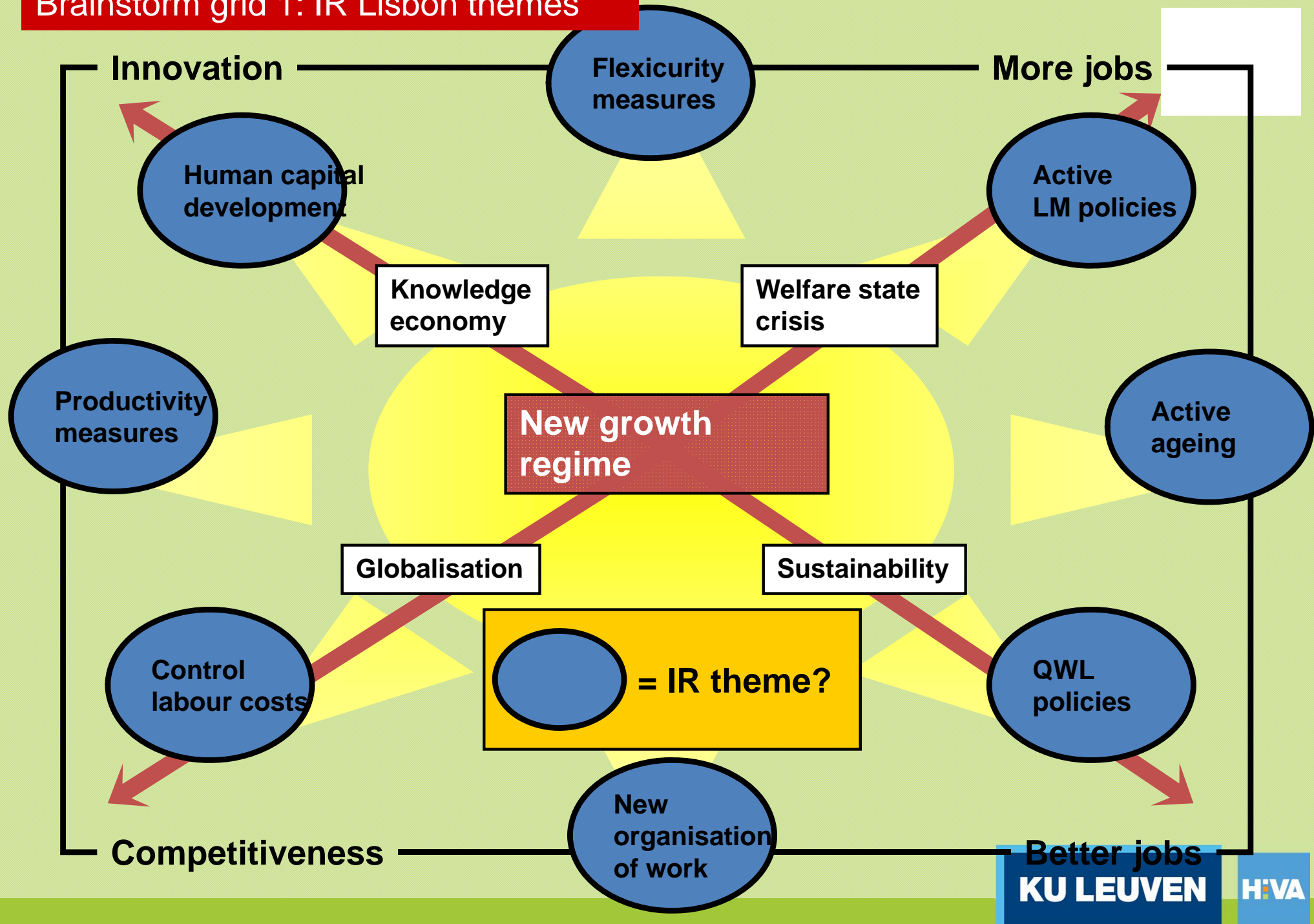
SOCIAL DIALOGUE PROCESSES

- Joint-governance
- Workplace democracy
- Wage bargaining
- Statutory regulation
- Social concertation

TRENDS?

- Active labour market policies
- Cooperative modernisation to cope with restructuring
- Wages restraints
- Negotiated flexibility
- PEC's

Brainstorm grid 1: IR Lisbon themes



To conclude

- European way = organised social dialogue
 - Pillar of social performing economic model
 - 20^{ste} century Productivity coalition
 - Working harder
 - Demand-led growth model
 - Fundamentals in EU acquis (and christian social thinking)
- Key factors
 - Institutional frameworks
 - Wage bargaining framed in minimum standards framework guaranteed by law
 - Formal workplace representation with TU link and resources
 - Actors
 - Strong employers' organisations
 - Mobilising trade unions with broad socio-political linkages
 - Processes
 - Respect as precondition for trust
 - Pragmatism (as alternative for radicalism)

To conclude: on the road to a new productivity coalition

- Post-fordist compromise: better not cheaper
 - Productivity gains based on ‘added-value’
 - Transnational bargaining to set ‘income floor’ to maintain aggregate demand
 - Lower-level bargaining/ variable pay/rewards
 - Workplace representation:
 - Knowledge activism (Hall et al., 2006): autonomous collection and strategic application of legal, technical, and medical knowledge as political tools
 - Job classifying => Job design
 - Work according to rules => Learning organisation
 - Safety – Accidents – Environment => Psychosocial – Stress - Risks